

**CITY OF EAGLE GROVE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

**T.P. ANDERSON & COMPANY, P.C.**  
Certified Public Accountants

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CITY OF EAGLE GROVE, IOWA  
OFFICIALS

June 30, 2014

<u>Title</u>	<u>Name of Official</u>	<u>Term Expires</u>
Mayor	Sandy McGrath	December 2015
Council Person	Wally Lorenzen	December 2017
Council Person	Dennis Vandewater	December 2015
Council Person	Teri Jo Pohlman	December 2015
Council Person	Todd Swalin	December 2017
Council Person	Kendall Johnson	December 2017
Council Person	Tony Axtell	December 2015
City Administrator	Michael Boyd	
Public Works Director	Robert Lunda	
Finance Officer	Susan J. Maier, CPA	



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 23 and 24 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of the City of Eagle Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Eagle Grove's internal control over financial reporting and compliance.

*T.P. Anderson & Company*

February 12, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Eagle Grove, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 6%, or approximately \$250,000, from fiscal 2013 to fiscal 2014. The decrease resulted from a decrease in Capital Grants.
- The City's governmental activities disbursements decreased 6%, or approximately \$277,000, in fiscal 2014 from fiscal 2013 mainly due to a decrease in capital projects.
- The City's total cash basis net assets decreased 18%, or approximately \$383,000 from June 30, 2013 to June 30, 2014. The City's governmental activities cash balance decreased \$346,000 while its business type activities cash balance also decreased by approximately \$37,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of the federal programs that benefited the City.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer system, and the related meter deposits. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, 4) Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sanitary sewer, and meter deposits. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

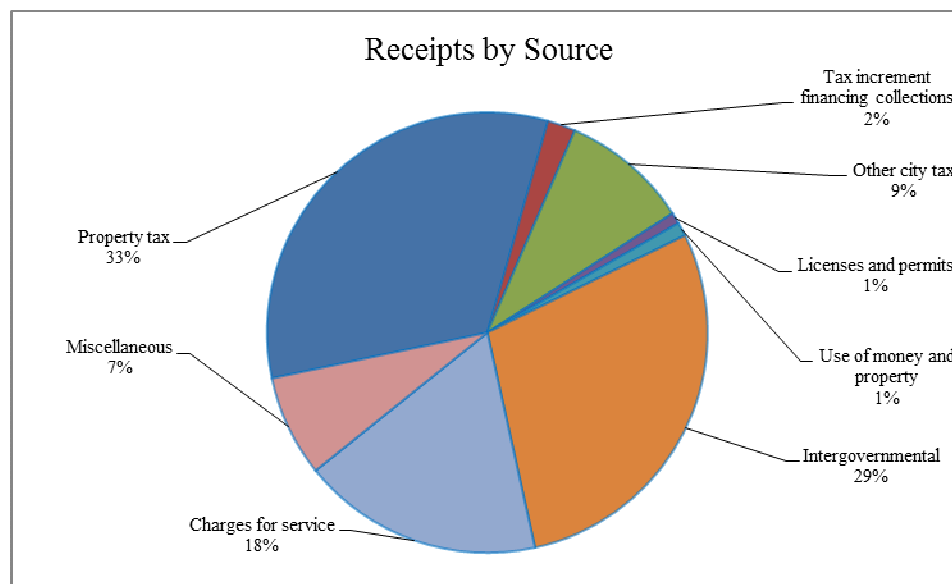
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

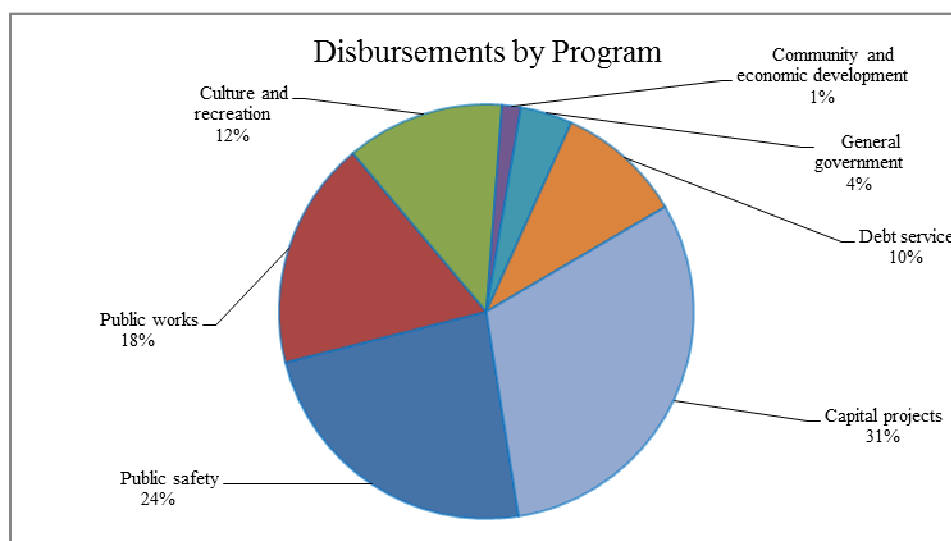
## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$1.5 million to \$1.2 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.



Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 637	685
Operating grants, contributions and restricted interest	429	416
Capital grants, contributions and restricted interest	607	928
General receipts		
Property tax	1,180	1,173
Tax increment financing	74	71
Local option sales tax	338	340
Unrestricted investment earnings	5	8
Other general receipts	412	311
Total receipts and transfers	3,682	3,932
Disbursements:		
Public safety	971	904
Public works	701	692
Culture and recreation	501	507
Community and economic development	59	16
General government	164	136
Debt service	402	411
Capital projects	1,263	1,672
Total disbursements	4,061	4,338
Changes in cash basis net position before transfers	(379)	(406)
Transfers, net	33	33
Changes in cash basis net position	(346)	(373)
Cash basis net position beginning of year	1,521	1,894
Cash basis net position end of year	\$ 1,175	1,521





The City's total receipts for governmental activities decreased by 6%, or approximately \$250,000. The total cost of all governmental programs and services decreased by approximately \$277,000, or 6%.

The cost of all governmental activities this year was \$4.1 million compared to \$4.3 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 10, the amount taxpayers ultimately financed for these activities was \$2.4 million because some of the cost was paid by those who directly benefited from the programs (\$637,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$1,037,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2014 from approximately \$2.0 million to approximately \$1.7 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1.6 million in tax (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Charges for service:		
Water	\$ 687	700
Sewer rental	535	561
Other	14	12
General receipts:		
Unrestricted interest on investments	4	5
Bond proceeds	-	1,596
Total receipts	1,240	2,874
Disbursements and transfers:		
Water	663	611
Sewer rental	570	2,101
Other	11	9
Total disbursements	1,244	2,721
Change in cash basis net position before transfers	(4)	153
Transfers, net	(33)	(33)
Change in cash basis net position	(37)	120
Cash basis net position beginning of year	624	504
Cash basis net position end of year	\$ 587	624

Total business type activities receipts for the fiscal year 2014 were approximately \$1.2 million, a decrease of \$1.6 million from FY 2013. The cash basis net position decreased by approximately \$37,000 from the prior year. Total disbursements for the fiscal year decreased approximately \$1,500,000 compared to the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of \$1,097,729, a decrease of approximately \$373,000 from last year's total of \$1,470,482. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$25,000 from the prior year to approximately \$360,000 as planned during budgeting.
- The Capital Improvement Fund cash balance increased by \$25,216 during the fiscal year due to paying for planned construction projects.
- The DD94 and Sanitary Sewer Fund (capital project) decreased by \$263,547. This resulted from disbursements for the construction project outpacing receipts.
- The Employee Benefits Fund has a balance of \$89,871, a decrease of \$13,807 from fiscal year 2013. The decrease reflected regular budgeted activity.
- The LOST Fund has a balance of \$253,454, a decrease of \$59,509 from fiscal year 2013. The decrease is due to funding more capital project expenditures with local option sales tax during the fiscal year.
- The Road Use Tax Fund has a balance of \$82,118, a decrease of \$2,856 from fiscal year 2013. The decrease reflected regular budgeted activity.
- The Debt Service Fund has a balance of \$64,922, an increase of \$37,617 from fiscal year 2013. The increase reflected regular budgeted activity.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$1,724 to \$118,314. The decrease is mainly due to increased capital project disbursements for the year.
- The Sewer Fund cash balance decreased by \$47,791 to \$348,539, due to increase in capital projects.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved in May 2014 and resulted in an increase in other financing sources of \$134,500 and an increase in expenditures and transfers out of \$268,500. The City over expended the budget in the debt service function for the year.

## **DEBT ADMINISTRATION**

At June 30, 2014, the City had approximately \$4,328,000 in bonds and other long-term debt, compared to approximately \$4,758,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
General obligation bonds	\$ 3,007	3,300
Revenue notes	1,321	1,458
Total	\$ 4,328	4,758

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3 million is within its constitutional debt limit of \$5.3 million.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Eagle Grove's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for various City activities.

It is always a difficult task trying to put the budget together not knowing what the State Legislature would do. A big concern is the enacted changes to the property tax system. The changes will require the City to rely on a standing appropriation from the State of Iowa which is to reimburse local governments for property tax reductions caused by the new legislation. It is anticipated that this standing appropriation will eventually fall short of the property tax the City would have collected and may cause a strain on the budgeted expenditures for the Public Safety, Culture and Recreation, and General Government functions.

Many of the City's expenditures such as insurance costs, vehicle repairs and maintenance and the costs of staffing the ambulance department increased notably during the year. These types of increases have been taken into account in setting the fiscal year 2015 budget.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Eagle Grove's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan Maier, City Finance Officer, 210 East Broadway, P.O. Box 165, Eagle Grove, Iowa 50533.

## **Basic Financial Statements**

## CITY OF EAGLE GROVE, IOWA

Exhibit A

## CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
Public safety	\$ 970,863	234,303	19,227	-	(717,333)	-	(717,333)
Public works	701,364	332,349	364,432	607,313	602,730	-	602,730
Culture and recreation	500,995	70,262	45,703	-	(385,030)	-	(385,030)
Community and economic development	59,670	-	-	-	(59,670)	-	(59,670)
General government	164,236	-	-	-	(164,236)	-	(164,236)
Debt service	402,265	-	-	-	(402,265)	-	(402,265)
Capital projects	1,262,869	-	-	-	(1,262,869)	-	(1,262,869)
<b>Total governmental activities</b>	<b>4,062,262</b>	<b>636,914</b>	<b>429,362</b>	<b>607,313</b>	<b>(2,388,673)</b>	<b>-</b>	<b>(2,388,673)</b>
Business type activities							
Water	663,493	686,608	-	-	-	23,115	23,115
Sewer	569,999	534,986	-	-	-	(35,013)	(35,013)
Other	10,518	13,658	-	-	-	3,140	3,140
<b>Total business type activities</b>	<b>1,244,010</b>	<b>1,235,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,758)</b>	<b>(8,758)</b>
<b>Total primary government</b>	<b>5,306,272</b>	<b>1,872,166</b>	<b>429,362</b>	<b>607,313</b>	<b>(2,388,673)</b>	<b>(8,758)</b>	<b>(2,397,431)</b>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					\$ 1,179,770	-	1,179,770
Tax increment financing					74,385	-	74,385
Local option sales tax					338,195	-	338,195
Unrestricted interest on investments					5,197	4,404	9,601
Miscellaneous					412,330	-	412,330
Operating transfers in (out)					32,760	(32,760)	-
Total general receipts and transfers					2,042,637	(28,356)	2,014,281
Change in cash basis net position					(346,036)	(37,114)	(383,150)
Cash basis net position, beginning of year					1,521,056	624,555	2,145,611
Cash basis net position, end of year					1,175,020	587,441	1,762,461
<b>Cash Basis Net Assets:</b>							
Restricted							
Nonspendable:							
Library fund					45,700	-	45,700
Cemetery perpetual care					57,700	-	57,700
Expendable:							
Streets					101,845	-	101,845
Employee benefits					89,871	-	89,871
LOST					253,454	-	253,454
Debt service					64,922	-	64,922
Other purposes					124,201	-	124,201
Unrestricted					437,327	587,441	1,024,768
Total cash basis net position	\$	1,175,020	587,441	1,762,461			

See Notes to Financial Statements

## CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue				
	General	Employee Benefits	LOST	Road Use Tax	Debt Service
Receipts:					
Property tax	\$ 636,695	344,742	-	-	132,439
Tax increment financing collections	-	-	-	-	-
Other city tax	8,950	-	329,245	-	-
Licenses and permits	28,486	-	1,050	-	-
Use of money and property	34,697	-	-	-	-
Intergovernmental	67,805	-	-	357,776	-
Charges for service	376,872	-	-	-	-
Miscellaneous	51,183	32,158	-	-	50,000
Total receipts	1,204,688	376,900	330,295	357,776	182,439
Disbursements:					
Operating:					
Public safety	729,702	228,669	-	-	-
Public works	85,769	28,662	-	360,632	-
Culture and recreation	404,734	99,261	-	-	-
Community and economic development	7,681	536	-	-	-
General government	131,157	33,579	-	-	-
Debt service	-	-	-	-	368,930
Capital projects	-	-	198,456	-	-
Total disbursements	1,359,043	390,707	198,456	360,632	368,930
Excess (deficiency) of receipts over (under) disbursements	(154,355)	(13,807)	131,839	(2,856)	(186,491)
Other financing sources (uses):					
Sale of capital assets	78,144	-	-	-	-
Operating transfers in	101,315	-	-	-	224,108
Operating transfers out	-	-	(191,348)	-	-
Total other financing sources (uses)	179,459	-	(191,348)	-	224,108
Net change in cash balances	25,104	(13,807)	(59,509)	(2,856)	37,617
Cash balances beginning of year	334,932	103,678	312,963	84,974	27,305
Cash balances end of year	\$ 360,036	89,871	253,454	82,118	64,922
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Library fund	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Restricted for:					
Streets	-	-	-	82,118	-
Employee benefits	-	89,871	-	-	-
LOST	-	-	253,454	-	-
Debt service fund	-	-	-	-	64,922
Other purposes	-	-	-	-	-
Unassigned	360,036	-	-	-	-
Total cash basis fund balances	\$ 360,036	89,871	253,454	82,118	64,922

See Notes to Financial Statements

Capital Projects		Other Nonmajor Governmental	
Capital Improvement	DD#94 and Sanitary Sewer	Funds	Total
47,065	-	18,829	1,179,770
-	-	74,385	74,385
-	-	-	338,195
-	-	-	29,536
1,054	32	-	35,783
-	607,313	3,782	1,036,676
-	-	260,041	636,913
26,637	-	107,947	267,925
74,756	607,345	464,984	3,599,183
-	-	3,570	961,941
-	-	252,301	727,364
-	-	-	503,995
-	-	51,453	59,670
-	-	-	164,736
-	-	33,335	402,265
49,540	870,892	143,981	1,262,869
49,540	870,892	484,640	4,082,840
25,216	(263,547)	(19,656)	(483,657)
-	-	-	78,144
-	-	-	325,423
-	-	(101,315)	(292,663)
-	-	(101,315)	110,904
25,216	(263,547)	(120,971)	(372,753)
157,557	115,478	333,595	1,470,482
182,773	(148,069)	212,624	\$ 1,097,729
-	-	45,700	45,700
-	-	57,700	57,700
-	-	-	82,118
-	-	-	89,871
-	-	-	253,454
-	-	-	64,922
182,773	(148,069)	109,224	143,928
-	-	-	360,036
182,773	(148,069)	212,624	1,097,729



## CITY OF EAGLE GROVE, IOWA

Exhibit C

Reconciliation of the  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position-  
Governmental Funds

As of and for the year ended June 30, 2014

<b>Total governmental funds cash balances</b>	\$ 1,097,729
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*Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Cash Basis Statement of Net Position.

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77,291

<b>Cash basis net position of governmental activities</b>	1,175,020
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<b>Net change in cash balance</b>	(372,753)
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*Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:*

The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change in net position of the Internal Service Funds is reported with the governmental activities.

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26,717

<b>Change in cash balance of governmental activities</b>	\$ (346,036)
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See Notes to the Financial Statements

## CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<b>Enterprise Funds</b>			
	Water	Sewer	Non-major - Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 686,608	534,986	13,658	\$ 1,235,252
Total operating receipts	686,608	534,986	13,658	1,235,252
Operating disbursements:				
Business type activities	525,216	349,553	10,518	885,287
Total operating disbursements	525,216	349,553	10,518	885,287
Excess of operating receipts over operating disbursements	161,392	185,433	3,140	349,965
Non-operating receipts (disbursements):				
Interest on investments	541	3,826	-	4,367
Debt service	-	(171,945)	-	(171,945)
Sale of assets	-	-	-	-
Capital projects	(144,001)	(52,001)	-	(196,002)
Total non-operating receipts (disbursements)	(143,460)	(220,120)	-	(167,578)
Excess (deficiency) of receipts and non-operating receipts over (under) disbursements and non-operating disbursement	17,932	(34,687)	3,140	182,387
Other financing (uses)				
Bond proceeds	-	-	-	-
Operating transfers out	(19,656)	(13,104)		(32,760)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,724)	(47,791)	3,140	(46,375)
Cash balances beginning of year	120,038	396,330	69,734	586,102
Cash balances end of year	\$ 118,314	\$ 348,539	\$ 72,874	\$ 539,727
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	-	200,112	72,874	272,986
Unrestricted	118,314	148,427	-	266,741
Total cash basis fund balances	\$ 118,314	\$ 348,539	\$ 72,874	\$ 539,727

See Notes to Financial Statements

<b>Internal Service Funds</b>				
	Non-major- Employee Health	Equipment Replacement	Total	
\$	9,000	42,500	\$	51,500
	9,000	42,500		51,500
	6,550	15,147		21,697
	6,550	15,147		21,697
	2,450	27,353		29,803
	-	74		74
	-	-		-
	-	6,102		6,102
	-	-		-
	-	6,176		6,176
	2,450	33,529		35,979
	-	-		-
	-	-		-
	2,450	33,529		35,979
	4,923	84,103		89,026
\$	7,373	117,632	\$	125,005
	-	-		-
	7,373	117,632		125,005
\$	7,373	\$ 117,632	\$	125,005

## CITY OF EAGLE GROVE, IOWA

Exhibit E

Reconciliation of the  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position-  
Proprietary Funds

As of and for the year ended June 30, 2014

<b>Total enterprise funds cash balances</b>	\$	539,727
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***Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in business-type activities in the Cash Basis Statement of Net Position.

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**Cash basis net position of business type activities**

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**Net change in cash balances**

(46,375)

***Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change in net assets of the Internal Service Funds is reported with the business-type activities.

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**Change in cash balance of business-type activities**

\$ (37,113)

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See Notes to the Financial Statements

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

### (1) **Summary of Significant Accounting Policies**

The City of Eagle Grove is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and landfill utilities and services for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City of Eagle Grove has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Blended Component Units - The following component unit is an entity, which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City.

The municipal waterworks has been established pursuant to Chapter 388 of the Code of Iowa for operation of the city waterworks. Although the municipal waterworks is legally separate from the City, its operations are budgeted with, and reported with the City's Proprietary Fund Types.

#### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Conference Board, Wright County Emergency Management Commission, Wright County Joint E911 Service Board, Law Enforcement Center Commission, Wright County Landfill Authority, and MIDAS Council of Governments.

#### B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

### Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

### Special Revenue Funds

The Employee Benefits Fund is used to account for the property tax collected for and the payment of employee benefits such as payroll taxes, health insurance and retirement.

The LOST Fund is used to account for the local sales tax collected and disbursed by the City.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

### Capital Projects:

The Capital Improvement Fund is used by the City to account for various improvement projects for the City.

## CITY OF EAGLE GROVE, IOWA

### NOTES TO FINANCIAL STATEMENTS

The DD#94 and Sanitary Sewer Fund is used to account for the receipts and disbursements associated with the planned drainage district and sanitary sewer capital project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water distribution system.

The Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system. It also accounts for the payment of interest and principal on the City's Sewer Revenue Bonds and the reserve funds which have a balance of \$200,112 and are required by the loans.

The City also reports the following additional proprietary funds:

Internal service funds are utilized to account for the partial self-funding of the City's employees' health insurance deductible and to account for the accumulation of resources to replace various City equipment.

#### C. Measurement Focus and Basis of Accounting

The City of Eagle Grove maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursements toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

Restricted – Amounts restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service fund.

## (2) **Cash and Investments**

The City's deposits at June 30, 2014 (which include certificates of deposit totaling \$678,950) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$437,114 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

## (3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending	General Obligation		Revenue Notes		Total Debt	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	323,334	58,643	140,525	31,420	463,859	90,063
2016	298,319	54,523	144,080	27,866	442,399	82,389
2017	265,000	50,553	147,724	24,223	412,724	74,776
2018	270,000	46,293	151,460	20,486	421,460	66,779
2019	270,000	41,638	133,392	16,908	403,392	58,546
2020-2024	1,245,000	129,750	603,727	34,748	1,848,727	164,498
2025-2026	335,000	13,640	-	-	335,000	13,640



# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

Total	3,006,653	395,040	1,320,908	155,651	4,327,561	550,691
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### Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements to repay \$1,596,375 of sewer revenue notes issued in August 2012. These bonds were used to refund bonds with higher interest rates. These notes are payable only from sewer customer net receipts and are payable through 2024. Total principal and interest remaining to be paid in the notes is \$1,476,559. For the current year, principal and interest paid (not including the refunded bonds) and total customer net receipts were \$171,945 and \$185,443, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate Sewer sinking funds for the purpose of making the notes' principal and interest payments when due.
- c. Sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year.

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	G.O. Bonds	Revenue Bonds	
Balance, beginning of year	\$ 3,299,988	1,457,967	4,757,955
Additions	-	-	-
Decreases	293,335	137,059	430,394
Balance, end of year	<u>3,006,653</u>	<u>1,320,908</u>	<u>4,327,561</u>

Interest rates on the general obligation bonds range from 0.00-2.75%. The interest rate on the City's outstanding revenue bonds was 2.5% as of June 30, 2014.

### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$109,060, \$100,816, and \$97,164, respectively, equal to the required contributions for each year.

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

### (5) Other Post-Employment Benefits (OPEB)

Plan Description – The City operates a single employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 20 active and no inactive members in the plan. Participants must be 55 or older at retirement.

The medical benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premiums for medical benefits as active employees.

Funding Policy – the contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The City has two plans available for members to choose from. The most recent active member monthly premiums for the City and plan members are \$515 for single coverage and \$1,747 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$264,910 and plan members contributed \$32,742 to the plan.

### (6) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Upon retirement, employees are paid one (1) day's pay for every four (4) days of sick time remaining on the employee's retirement day.

These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate liability earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u> <u>June 30, 2014</u>
Sick pay	\$ 207,828
Vacation pay and personal days	<u>71,285</u>
Total	<u>\$ 279,113</u>

The City by resolution sets the rules for sick pay as follows:

1 day per month with a maximum of 120 days accumulation.

The City by resolution sets the rules for vacation policy as follows:

After one calendar year of employment	5 days
After two consecutive calendar years of employment	10 days
After seven consecutive calendar years of employment	15 days
After twelve consecutive calendar years of employment	20 days

Vacation must be used in the year following the year earned except that no more than 10 days may be carried into the following year.

### (7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2014 is as follows:

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

Transfer In	Transfer From	Amount
General	Emergency	\$ 18,829
	TIF	75,000
	Solid Waste	7,486
	Total General	<u>101,315</u>
Debt Service	LOST	191,348
	Water	19,656
	Sewer	13,104
	Total Debt Service	<u>224,108</u>
		<u><u>\$ 325,423</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

### **(8) Wright County Landfill Authority**

The City, in conjunction with twelve other municipalities, is a member of the Wright County Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Landfill has been closed. On dissolution of the corporation, the net assets of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Authority, during its operation, did not accumulate sufficient financial resources for its debt and its closing costs; therefore the participating governments are obligated for a proportionate share of those costs. During the year ended June 30, 2014, the City of Eagle Grove paid the Authority \$7,864 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

### **(9) Risk Management**

The City of Eagle Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(10) Property Taxes**

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Eagle Grove. Property taxes become liens on property as of July 1, 2013 and are payable in September 2013 and March 2014. The valuation for the taxes were based on January 1, 2012 assessed property valuations, and are based on a certified budget from March of 2013.

### **(11) Deficit Fund Balance**

The DD#94 and Sanitary Sewer Capital Project Fund had a deficit balance of \$148,069 at June 30, 2014. The deficit resulted from project costs being incurred prior to the availability of funds. The City will investigate alternatives such as transfers or grant awards to eliminate the deficit.

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

### (12) Subsequent Events

Subsequent to June 30, 2014 the City has been named in a legal complaint. The City's management intends to vigorously defend against this claim. No potential cost, if any, to the City is reasonably estimable as a result of this claim. In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 12, 2015, the date the financial statements were issued.

### (13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements established new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note

### (14) Correction of an Error

The Road Use Tax fund cash balance and Capital Improvements fund cash balance as of June 30, 2013 were reported incorrectly. A correction of \$19,727 that decreased the Road Use Tax cash balance and increased the Capital Improvement fund cash balance as of July 1, 2013 was required. The schedule below reflects the correction that was made.

<u>Line Item</u>	Cash balances end of year - 2013 <u>as previously reported</u>	<u>Correction</u>	Cash balances beginning of year - 2014 <u>as corrected</u>
Road Use Tax	\$104,701	(\$19,727)	\$ 84,974
Capital Improvements	\$137,830	\$19,727	\$157,557

## **Other Information**

CITY OF EAGLE GROVE, IOWA

Budgetary Comparison of Receipts, Disbursements and Changes  
in Balances - Budget and Actual (Cash Basis)  
All Governmental Funds and Proprietary Funds

OTHER INFORMATION

Year Ended June 30, 2014

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts				
Property tax	\$ 1,179,770	-	-	1,179,770
Tax increment financing collection	74,385	-	-	74,385
Other city tax	338,195	-	-	338,195
Licenses and permits	29,536	-	-	29,536
Use of money and property	35,783	4,441	-	40,224
Intergovernmental	1,036,676	-	-	1,036,676
Charges for service	636,913	1,286,752	-	1,923,665
Miscellaneous	267,925	6,102	-	274,027
Total receipts	3,599,183	1,297,295	-	4,896,478
Disbursements:				
Program				
Public safety	961,941	-	-	961,941
Public works	727,364	-	-	727,364
Culture and recreation	503,995	-	-	503,995
Community and economic development	59,670	-	-	59,670
General government	164,736	-	-	164,736
Debt service	402,265	-	-	402,265
Capital projects	1,262,869	-	-	1,262,869
Business type activities	-	1,274,931	-	1,274,931
Total disbursements	4,082,840	1,274,931	-	5,357,771
Excess (deficiency) of receipts over disbursements	(483,657)	22,364	-	(461,293)
Other financing sources (uses)	110,904	(32,760)	-	78,144
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(372,753)	(10,396)	-	(383,149)
Balance - beginning of year	1,470,482	675,128	-	2,145,610
Balance - end of year	\$ 1,097,729	664,732	-	1,762,461

See Accompanying Independent Auditor's Report

Budgeted Amounts

Original	Final	Final to Net Variance
1,129,006	1,129,006	\$ 50,764
78,424	78,424	(4,039)
361,344	361,344	(23,149)
33,925	33,925	(4,389)
47,200	47,200	(6,976)
2,065,056	2,065,056	(1,028,380)
1,930,000	1,930,000	(6,335)
194,150	194,150	79,877
5,839,105	5,839,105	(942,627)
1,016,592	1,090,092	128,151
732,279	757,279	29,915
511,517	537,517	33,522
18,985	73,985	14,315
148,730	165,230	494
370,931	370,931	(31,334)
2,191,261	2,191,261	928,392
1,383,685	1,396,685	121,754
6,373,980	6,582,980	1,225,209
(534,875)	(743,875)	282,582
3,000	78,000	144
(531,875)	(665,875)	282,726
2,379,560	2,379,560	(233,950)
1,847,685	1,713,685	\$ 48,776

CITY OF EAGLE GROVE, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and the Enterprise Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$134,500 and budgeted disbursements by \$268,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service fund.



## **Supplementary Information**

## CITY OF EAGLE GROVE, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue			
	Solid Waste	TIF	SWWC EMS	Emergency
Receipts:				
Property tax	\$ -	\$ -	\$ -	18,829
Tax increment financing collections	-	74,385	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	3,782	-
Charges for service	260,041	-	-	-
Miscellaneous	-	-	50,000	-
Total receipts	260,041	74,385	53,782	18,829
Disbursements:				
Operating:				
Public Safety	-	-	3,570	-
Public Works	252,301	-	-	-
Community & economic development	-	51,453	-	-
Capital projects	-	-	-	-
Debt service	-	33,335	-	-
Total disbursements	252,301	84,788	3,570	-
Excess of receipts over disbursements	7,740	(10,403)	50,212	18,829
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(7,486)	(75,000)	-	(18,829)
Total other financing sources (uses)	(7,486)	(75,000)	-	(18,829)
Net change in cash balances	254	(85,403)	50,212	-
Cash balances beginning of year	3,773	87,407	23,253	-
Cash balances end of year	\$ 4,027	\$ 2,004	73,465	-
<b>Cash Basis Fund Balances</b>				
Restricted:				
Nonspendable:				
Library fund	-	-	-	-
Cemetery perpetual care	-	-	-	-
Streets	-	-	-	-
Debt service fund	-	-	-	-
Restricted for other purposes	4,027	2,004	73,465	-
Total cash basis fund balances	4,027	2,004	73,465	-

See Accompanying Independent Auditor's Report

Capital Projects			Permanent		Total
2012 Projects	Museum Renovation	2010 Projects	Library	Cemetery	
-	-	-	-	-	\$ 18,829
-	-	-	-	-	74,385
-	-	-	-	-	-
-	-	-	-	-	3,782
-	-	-	-	-	260,041
-	51,747	4,500	-	1,700	107,947
-	51,747	4,500	-	1,700	464,984
-	-	-	-	-	3,570
-	-	-	-	-	252,301
-	-	-	-	-	51,453
108,516	19,037	16,428	-	-	143,981
-	-	-	-	-	33,335
108,516	19,037	16,428	-	-	484,640
(108,516)	32,710	(11,928)	-	1,700	(19,656)
-	-	-	-	-	-
-	-	-	-	-	(101,315)
-	-	-	-	-	(101,315)
(108,516)	32,710	(11,928)	-	1,700	(120,971)
108,516	(2,982)	11,928	45,700	56,000	333,595
-	29,728	-	45,700	57,700	\$ 212,624
-	-	-	45,700	-	45,700
-	-	-	-	57,700	57,700
-	-	-	-	-	-
-	-	-	-	-	-
-	29,728	-	-	-	109,224
-	29,728	-	45,700	57,700	\$ 212,624

## CITY OF EAGLE GROVE, IOWA

Schedule 2

## SCHEDULE OF INDEBTNESS

Year Ended June 30, 2014

Obligation	Date Issued	Interest Rate	Amount Original Issue	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation bonds									
General Obligation LOST Bonds	June 1, 2006	4.10-4.65%	2,500,000	110,000	-	110,000	-	80,848	-
GO Refunding Bonds	December 28, 2011	2.00-2.65%	1,550,000	1,245,000	-	150,000	1,095,000	27,083	-
GO LOST Refunding Bonds	April 4, 2012	.80-2.50%	1,845,000	1,845,000	-	-	1,845,000	-	-
General Obligation Aquatic Center	November 20, 2006	0.00%	300,000	99,988	-	33,335	66,653	-	-
				<u>3,299,988</u>	<u>-</u>	<u>293,335</u>	<u>3,006,653</u>	<u>107,930</u>	<u>-</u>
Revenue bonds and notes									
Sewer Revenue bond	August 8, 2012	2.50%	1,596,375	<u>\$ 1,457,967</u>	<u>\$ -</u>	<u>\$ 137,059</u>	<u>\$ 1,320,908</u>	<u>\$ 34,886</u>	<u>\$ -</u>
				<u>1,457,967</u>	<u>-</u>	<u>137,059</u>	<u>1,320,908</u>	<u>34,886</u>	<u>-</u>

See Accompanying Independent Auditor's Report

## CITY OF EAGLE GROVE, IOWA

Schedule 3

## SCHEDULE OF BOND and NOTE MATURITIES

June 30, 2014

Year Ending June 30,	General Obligation Refunding Bonds Issued 12-28-11		General Obligation LOST Bonds Issued 3-1-06		General Obligation Aquatic Center Issued 11-20-06		<u>Total</u>	Sewer Revenue Capital Loan Note Issued 8-8-12		<u>Total</u>
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>		<u>Rate</u>	<u>Amount</u>	
2015	2.00	150,000	0.80	140,000	0.00	33,333	323,333	2.50	140,525	140,525
2016	2.10	120,000	1.00	145,000	0.00	33,320	298,320	2.50	144,080	144,080
2017	2.10	120,000	1.20	145,000	-	-	265,000	2.50	147,724	147,724
2018	2.10	125,000	1.40	145,000	-	-	270,000	2.50	151,460	151,460
2019	2.10	120,000	1.60	150,000	-	-	270,000	2.50	133,392	133,392
2020	2.10	125,000	1.80	150,000	-	-	275,000	2.50	136,766	136,766
2021	2.10	110,000	2.00	155,000	-	-	265,000	2.50	129,279	129,279
2022	2.10	75,000	2.15	155,000	-	-	230,000	2.50	132,548	132,548
2023	2.10	75,000	2.30	160,000	-	-	235,000	2.50	135,899	135,899
2024	2.65	75,000	2.45	165,000	-	-	240,000	2.50	69,235	69,235
2025	-	-	2.60	165,000	-	-	165,000	-	-	-
2026	-	-	2.75	170,000	-	-	170,000	-	-	-
		<u>\$ 1,095,000</u>		<u>\$ 1,845,000</u>		<u>\$ 66,653</u>	<u>\$ 3,006,653</u>		<u>\$ 1,320,908</u>	<u>\$ 1,320,908</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts										
Property tax	\$ 1,179,770	\$ 1,172,795	\$ 1,118,289	\$ 1,047,664	1,026,590	1,100,675	1,084,933	1,097,062	1,064,063	1,050,882
Tax increment financing collection	74,385	70,683	74,112	81,611	53,654	75,507	47,521	44,294	56,485	78,500
Other city tax	338,195	339,793	401,382	305,041	324,008	297,892	300,410	289,533	68,777	64,892
Licenses and permits	29,536	37,053	8,255	8,723	7,300	33,553	32,469	30,796	38,656	38,378
Use of money and property	35,783	40,172	41,783	43,122	43,036	52,549	74,903	105,947	50,603	47,470
Intergovernmental	1,036,676	1,343,766	533,373	467,118	431,493	435,738	552,085	651,145	394,993	449,111
Charges for service	636,913	685,360	597,793	651,120	617,574	649,064	601,275	569,611	553,453	497,300
Miscellaneous	267,925	235,281	188,873	139,970	96,936	135,158	154,255	265,767	182,469	134,041
Total receipts	\$ 3,599,183	\$ 3,924,903	\$ 2,963,860	\$ 2,744,369	2,600,591	2,780,136	2,847,851	3,054,155	2,409,499	2,360,574
Disbursements:										
Operating:										
Public safety	\$ 961,941	\$ 910,011	\$ 881,228	\$ 794,277	773,820	793,852	755,112	711,717	787,370	811,948
Public works	727,364	717,723	738,205	735,269	774,287	810,273	726,521	670,080	693,366	714,875
Health and social services	-	-	5,230	-	-	-	-	-	-	-
Culture and recreation	503,995	510,500	591,583	530,008	527,724	519,750	491,028	401,762	392,670	394,812
Community and economic development	59,670	15,590	23,207	18,478	10,492	11,731	205,348	193,934	76,388	89,238
General government	164,736	136,523	150,218	156,690	202,070	160,911	145,341	136,304	135,944	202,889
Debt service	402,265	411,420	1,171,278	610,207	360,764	479,369	401,932	376,893	744,787	171,146
Capital projects	1,262,869	1,672,092	466,716	187,892	237,287	92,946	273,042	2,704,985	774,203	874,038
Total disbursements	\$ 4,082,840	\$ 4,373,859	\$ 4,027,665	\$ 3,032,821	2,886,444	2,868,832	2,998,324	5,195,675	3,604,728	3,258,946

See Accompanying Independent Auditor's Report

## CITY OF EAGLE GROVE, IOWA

Schedule 5

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
<b>U.S. Department of Homeland Security</b>			
Pass-through programs from:			
Iowa Department of Public Defence:			
Hazard Mitigation Grant	97.039	DR-1763-0119-01	<u>535,335</u>
Total			<u>\$ 535,335</u>

Basis of Presentation - the Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Eagle Grove, Iowa and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Grove, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City Eagle Grove, Iowa's basic financial statements and have issued our report thereon dated February 12, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Eagle Grove's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Eagle Grove's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Eagle Grove's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, II-A-14, described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eagle Grove's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an



opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Cost.

Comments involving statutory or other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of these statutes.

#### The City of Eagle Grove's Response to Findings

The City of Eagle Grove's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Eagle Grove's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eagle Grove during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*T.P. Anderson & Company*

February 12, 2015



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Eagle Grove's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City of Eagle Grove's major federal program for the year ended June 30, 2014. City of Eagle Grove's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Eagle Grove's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Eagle Grove's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Eagle Grove's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Eagle Grove complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Eagle Grove is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Eagle Grove's internal

control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Eagle Grove's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify a deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above. However, material weaknesses may exist that have not been detected.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control, yet important enough to meet attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*T.P. Anderson & Company*

February 12, 2015

CITY OF EAGLE GROVE, IOWA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2014

The finding listed as II-A-13 in the prior year noted that there was a segregation of duties over internal control deficiency which remains an issue see II-A-14 for June 30, 2014.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2014

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with office of Management and Budget Circular A-133, Section 510(a).
- (g) The major program for the Fiscal Year ended June 30, 2014 was CFDA# 97.039, Hazard Mitigation Grant. The City of Eagle Grove spent \$535,335 under this program during the Year Ended June 30, 2014.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Eagle Grove did not qualify as a low-risk auditee.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2014

**Part II: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES:**

II-A-14      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Cause – The lack of segregation of duties is due to the size of the office staff.

Effect – there is a higher risk of misstatement due to the lack of segregation of duties.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Client Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2014

**Part III: Other Findings Related to Statutory Reporting:**

III-A-14      Certified Budget – Disbursements exceeded the budget in the Debt Service program for the year ending June 30, 2014.

Criteria – Chapter 384.20 of the Code of Iowa states, in part, “Public Monies may not be expended or encumbered except under a continuing appropriation.”

Cause – TIF expenditures for debt service on the swimming pool.

Effect – The City’s disbursements in the debt service function exceeded the amount budgeted.

Recommendation – The budget should be amended prior to allowing disbursements to exceed the amount budgeted.

Response – We will amend the budget in the future if needed.

Conclusion – Response accepted

III-B-14      Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14      Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-14      Business Transactions - Business transactions between the City and its officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kendall Johnson, Councilman/Owner Oldson’s Inc.	Repair materials	\$ 1,730
Dennis Vandewater Councilperson, Owner Sadler Coating Systems	Repair work	\$ 2,397
Gary Lalor City Fire Chief, Owner Lalor Construction	General construction	\$ 28,756

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2014

Criteria - Chapter 362.5(10) of the Code of Iowa prohibits any city officer or employee from having a contract or job of work with the City. Exceptions are made to this regulation if the total annual purchase is less than \$1,500, or if the work was contracted under a competitive bid. The transactions with Councilpersons Johnson and Vandewater appear to be in violation with Iowa Code, and are not covered under either of the aforementioned exceptions.

The transactions with City Fire Chief, Lalor, were competitively bid and therefore complied with the Code of Iowa.

Cause – There is a limited number of merchants who are able to provide the services needed.

Effect – Failure to bid the work properly may result in the City paying too much for a service, thereby failing to adequately fulfill their obligation to expend public money properly.

Recommendation – The City should consult with their attorney to see what action, if any, needs to be taken to remedy this situation.

Response – We will consult with our attorney to determine what if any action should be taken.

Conclusion – Response accepted.

- III-E-14     Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-F-14     Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-14     Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-14     Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.